

# REQUEST FOR PROPOSAL

CONSULTING SERVICES  
TO EVALUATE AND REPORT ON PACIFICORP'S  
ELECTRIC POWER COST NORMALIZING MODEL  
AND TO ASSIST THE UTAH DIVISION OF PUBLIC UTILITIES  
STAFF

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## TABLE OF CONTENTS

1	PURPOSE .....	4
2	SCOPE OF WORK .....	4
2.1	Phase 1 Report .....	4
2.2	Phase 2 Assist the DPU staff .....	4
3	SPECIFIC MAJOR TASKS .....	4
3.1	Phase 1 Report .....	4
3.2	Phase 2 Report .....	4
3.3	Testimony .....	4
4	INFORMATION REQUIRED FROM OFFEROR	
4.1	Statement of Experience .....	5
4.2	Statement of the Task .....	5
4.3	Work Plan .....	5
4.4	Project Schedule .....	5
4.5	Progress Report .....	5
4.6	Personnel .....	5
4.7	Potential Conflicts of Interest .....	5
4.8	Cost and Price Analysis .....	5
4.9	Consultants capabilities .....	5
5	GENERAL INFORMATION	
5.1	Submission of Proposals .....	6
5.2	Receipt and Registration .....	6
5.3	Amendments to Proposals .....	6
5.4	Key Dates .....	6
5.5	Funding Period .....	7
5.6	Eligibility .....	7
5.7	Client and Contact Person .....	7
5.8	Evaluation of Proposals .....	7
5.9	Conditions of the Proposal .....	7
5.10	Proposal Cost .....	7
5.11	Proposal Confidentiality .....	7
6.11	Award .....	8
7	PROPOSAL EVALUATION CRITERIA .....	8
8	PRESENTATION OF THE PROPOSAL .....	8
9	SUCCESSFUL PROPOSAL .....	9

ATTACHMENT A

Standard Terms and Conditions .....

ATTACHMENT B

Special Terms and Conditions ..... 10

ATTACHMENT C

Background ..... 13

## 1 PURPOSE

The Utah Division of Public Utilities (Division or DPU) seeks to retain a consultant(s) to evaluate the electric power cost model developed and used by PacifiCorp to normalize power costs for setting retail rates in Utah.

Phase 1: The consultant(s) will evaluate the inputs, model code, processes and outputs of PacifiCorp's power costs normalizing model for its suitability as a method of reflecting normal power costs and appropriateness for use in a general rate case.

Phase 2: The consultant(s) will assist the staff of the Division of Public Utilities in operating the model, making recommendations and assessing other uses for the model.

## 2 SCOPE OF WORK

### 2.1 Phase 1, Evaluating the power cost model

2.1.1 The consultant will become familiar with the assumptions, model codes, inputs, processes and outputs of the model developed and used by PacifiCorp. A description of the GRID model is included in the Background Section on page 13.

2.1.2 The consultant will assess the model's reliability in relation to PacifiCorp historic results.

2.1.3 The consultant will consider the existing generation and transmission resources, power contracts, and other relevant factors specific to PacifiCorp in determining the suitability of the power cost model.

### 2.2 Phase 2, Assisting the Division of Public Utilities staff.

2.2.1 The consultant will assist the Division staff in developing their understanding and use of the model. The consultant will confer with staff in developing Division recommendations.

2.2.2. The consultant will assist the Division staff in assessing the models usefulness in the following areas: avoided costs, integrated resource planning, pricing wholesale sales contracts, pricing retail industrial contracts, demand side management program evaluation or other areas.

## 3 SPECIFIC MAJOR TASKS

3.1 Phase 1 Report: The consultant will make a report containing the results of the

work. The report will include any specific changes to improve the PacifiCorp model. The report will objectively present the specific advantages and disadvantages of the PacifiCorp model, and a conclusion based thereon

- 3.2 Phase 2 Report: Only a brief written description of the other uses of the model will be required.
- 3.3 Testimony: It is not known if the consultant will be required to present testimony before the Utah Public Service Commission. If such testimony is required it will be funded under a separate amendment to the contract between the Division and the consultant.

#### 4. INFORMATION REQUIRED FROM OFFEROR

- 4.1 Statement of Experience - Summarize offeror's prior experience relating to areas where offeror is submitting a proposal.
- 4.2 Statement of the Task - Describe the major tasks for addressing the issues and achieving the project objectives.
- 4.3 Work Plan - Include a work plan describing the steps that will be taken to complete each major task.
- 4.4 Project Schedule - Include a project schedule showing the amount of time in days per person devoted to each major task.
- 4.5 Progress Report - Describe the procedures that will be used to keep the Division informed of your progress toward completing the project.
- 4.6 Personnel - List the names and professional qualifications of each person who will be performing work. State the specific tasks to which each person will be assigned.
- 4.7 Potential Conflicts of Interest - Identify any potential conflict of interest or the appearance of a conflict that might arise during the course of the project. If no conflicts are expected, include a statement to that effect in the proposal.
- 4.8 Cost and Price Analysis - Information requested in this section will be used to evaluate the reasonableness of the quotation and is for internal use. The format below is to be used. The offeror must estimate the hours and costs allocated to each task area of the project.
  - 4.8.1 Personnel costs
    - 4.8.1.1 Category (e.g., project manager, senior analyst, etc.)
    - 4.8.1.2 Estimated hours for each task area.
    - 4.8.1.3 Rate per hour.
    - 4.8.1.4 Total personnel costs.

- 4.8.2 Cost of supplies and materials (itemized).
- 4.8.3 Other firm costs (itemized).
- 4.8.4 Travel to Salt Lake City, Utah or other locations will be necessary, the travel budget should be shown separately
- 4.8.5 Total costs of completing the project.
- 4.9 Consultant Capabilities - A contractor(s) must be able to use Word Perfect, Microsoft Word or be able to convert their testimony to an ASCII file for an IBM compatible computer. A contractor(s) must be able to use Quattro Pro, or Excel for their spreadsheet exhibits (per a PSC rule) and have fax capability.

## 5 GENERAL INFORMATION

### 5.1 SUBMISSION OF PROPOSALS

Seven (7) copies of the proposal are to be submitted on or before 3:00 PM May 1, 2003 to:

Utah Division of Purchasing  
3150 State Office Building, Capitol Hill  
Salt Lake City, Utah 84114

Proposals may be mailed or hand-delivered. They must be:

identified as a response to this RFP;

typewritten and legible; and

submitted in seven copies with no other distribution of copies by offeror.

### 5.2 RECEIPT AND REGISTRATION OF PROPOSALS

Proposals received will be opened at 3:00 PM on May 1, 2003, at the Utah Division of Purchasing, 3150 State Office Building, Capitol Hill, Salt Lake City UT 84114.

Interested parties may attend the formal proposal opening but no additional verbal or written input will be allowed at the proposal opening. Proposals not received by the deadline, whether en route, in the mail, or at other locations in the State Office Building, will be late and therefore will not be considered.

All proposals become the property of the State of Utah upon receipt and will not be returned to offeror(s). The State shall have the right to use all ideas or adaptations of ideas contained in any proposal. Acceptance or rejection of the proposal shall not affect this right.

### 5.3 AMENDMENTS TO PROPOSALS

Amendments to proposals will be accepted provided they reach the Division of Purchasing on or before 3:00 PM May 1, 2003.

#### 5.4 KEY DATES

1. Contract award is scheduled for June 1, 2003. The project will start within 30 days of the contract award.
2. The contractor will provide the Division with monthly written updates on the progress of the work. The Contractor will provide the Division with a Draft Phase 1 Report by September 30, 2003. The contractor will present a Final Phase 1 Report, after receiving comments from the Division. A Phase 2 Report will be provided to the Division by October 30, 2003.
3. The Division will review the Phase 1 Draft Report and determine if the Contractor will present testimony on the positions and recommendations or if the Division will present the testimony
4. If it is determined the Contractor is to present written testimony regarding their recommendations, the Division will execute an amendment to this contract for the drafting and presentation of testimony before the Public Service Commission. The drafting and presentation of testimony is to be charged at the same hourly rates as the original contract.
5. The Division expects the contract to conclude within 12 months of the contract date.

#### 5.5 FUNDING PERIOD

From June 1, 2003 to June 30, 2004 and may be renewable for 1 year at the discretion of the Division as required to complete the project.

#### 5.6 ELIGIBILITY

A proposal may be submitted by any person or organization, public or private, nonprofit or for profit.

#### 5.7 CLIENT AND CONTACT PERSON

The Division of Public Utilities is the Contractor's principal client and controls the project. The contact on the Division's staff for answers to questions about this RFP is Ronald L. Burrup, Technical Consultant, telephone- (801) 530-6686; e-mail [rburrup@utah.gov](mailto:rburrup@utah.gov) - mailing address -Division of Public Utilities - PO Box 146751, Salt Lake City, Utah 84114-6751.

#### 5.8 EVALUATION OF PROPOSALS

On a date following the submission deadline, proposals will be evaluated by members of the Division's staff. Evaluation will be on the basis of the stated evaluation criteria (see item 7) and no other factors will be considered in awarding a contract.

#### 5.9 CONDITIONS OF PROPOSAL

All costs, terms and conditions contained in the proposal shall remain fixed and valid for

90 days after the closing date. The proposal shall be signed by a person or persons legally authorized to bind the offeror to its provisions.

#### 5.10 PROPOSAL COST

All costs associated with developing, preparing and submitting a proposal, attending interviews or other activities prior to a contract being awarded, are entirely the responsibility of the offeror and shall not be reimbursed in any manner by the State of Utah.

#### 5.11 PROPOSAL CONFIDENTIALITY

5.11.1 There shall be no press release pertaining to this RFP or the acceptance and contract award without prior written approval from the Division.

5.11.2 The names of the offerors become public information.

### 6. AWARD

6.1 Issuance of this RFP in no way obligates the Division to award a contract. The Division reserves the right to reject any and all proposals or withdraw this offer at any time. Award of a contract will not necessarily be made to the lowest offeror, but will be made in accordance with the evaluation criteria.

6.2 If only one proposal is received in response to this Request for Proposal, the Division may either recommend the proposal for award or reissue the RFP for the purpose of obtaining additional proposals. Factors not specified in a proposal shall not be considered in determining the award.

6.3 Award will be made to the offeror(s) whose proposal(s) is determined to be the most advantageous to the state, taking into consideration all factors and evaluation criteria set forth in this RFP.

6.4 The Division reserves the right to award a contract without further discussion of proposals received. It is, therefore, important that each proposal be submitted in the manner most favorable to the offeror.

### 7. PROPOSAL EVALUATION CRITERIA

7.1 Cost proposal (30 points) - A complete and detailed budget proposal must identify all anticipated costs in two areas:

7.1.1 personnel; and

7.1.2 non-personnel costs (telephone, mail, copying, etc).

7.2 Objectivity (10 points) - Objectivity as demonstrated impartiality and neutrality in prior recommendations

7.3 Prior experience (30 points) - Demonstrated experience and ability of the individual staff members assigned to the project to perform the proposed work, particularly the training, experience and availability of the project manager and



of the individuals assigned to the project. Expertise of personnel - educational background in the areas of economics, engineering and power cost modeling.

7.4 Understanding (20 points) - Understanding of the problem and a description of the methodologies to be used in meeting the scope of work Includes soundness, originality and feasibility of the approach to be utilized including data collection techniques and data analysis methods..

7.5 Acceptance (10 points) Successful implementation of offeror's past evaluations and recommendations, including examples.

## 8 PRESENTATION OF THE PROPOSAL

8.1 Offerors may be invited to an oral presentation with Division staff or the Group in Salt Lake City, Utah, or via conference call.

8.2 Formal presentations are neither required nor desired.

8.3 The agenda would typically include discussions of scope, approach, project management, policies, procedures, methods, etc.

8.4 Costs associated with an oral presentation is not a billable item.

## 9 SUCCESSFUL PROPOSAL

The Division and the successful offeror will sign a contract spelling out the rights and obligations of each of the parties. Costs associated with contract preparation are not billable items.

## ATTACHMENT B

### SPECIAL TERMS AND CONDITIONS

1. **PROPOSAL CONTENT:** The content of the proposal of the Contractor shall be included by reference in the resulting contract.
2. **CONTRACT COMPLIANCE:** To assure compliance with the Contract, the Division or its representative(s) will at all times, during normal business hours, have the right to enter into the Contractor's premises or other places where work under the Contract is being performed, including the utility's premises, to monitor or otherwise evaluate work performed or being performed.
3. **CONDITION OF COMPLETION:** The Contractor agrees that for a period of two years from the completion of this project and upon the request of the Division, it shall provide advice and support to the CCS staff regarding this project so that the staff may testify in any proceeding or action to which the Division is a party. The parties agree that the Contractor shall be compensated for any such advice and support at its then current billing rates without any surcharge. Such charges shall be additional to the amounts specified herein. The Contractor's obligation under this paragraph shall survive any termination of this Contract.
4. **SUBCONTRACTING CONDITION:** The Contractor is prohibited from assigning or subcontracting this Contract, or any part hereof, except as provided in its Proposal, without the express written consent of the Division. Any assignee or subcontractor is subject to the same conditions in this Contract as the Contractor. The Division may require the removal from work on the contract of any assignee or subcontractor it deems incompetent, careless, insubordinate, or otherwise unacceptable, or whose continued employment on the contract it deems contrary to the public interest or not in the best interest of the State of Utah.
5. **STAFF CHANGES:** The Contractor agrees that changes in the identity or allocation of professional staff assigned to the project by the Contractor may be made only upon the consent of the Division.
6. **PERFORMANCE STANDARDS:** If the Division finds the detailed work or staffing deficient for any reason and those deficiencies cannot be corrected to the satisfaction of the Division, the Contract will be terminated and the Contractor will be paid for whatever work was reasonable and necessary. The Contractor shall notify the Division immediately in the event unforeseen circumstances cause, or are likely to cause, delays in performance that would require schedule adjustments. However, this Contract is a not-to-exceed contract and any requests for additional calendar time and/or monies will be strenuously reviewed by the Division, with a strong negative assumption.
7. **ACCEPTED STANDARDS:** The Contractor shall conduct the project in accordance with generally accepted standards. The Contractor shall perform its services in a thorough and professional manner and will be deemed to have breached the contract when any deficiencies in its services are attributable to its failure to comply with generally accepted standards.
8. **CONDUCT:** While in or on the utility company's property, the Contractor agrees to abide by the company's operating and safety rules and procedures; plan, arrange and conduct its work so there will be no interference or interruption with the continuous operation of the company's business, other than

those normally associated with the conduct of an audit of this magnitude; and maintain the company's working and office areas in a neat and workmanlike manner.

9. **CONFIDENTIALITY:** Any working papers, data, documents, studies, reports, and other writings which the Contractor prepares or generates in connection with their work under this contract shall be the property of the Division and shall be delivered to the Division upon completion of the Contractor's services under this contract or upon request. In addition, the Contractor understands that the work done under this Contract is for the Division and is done at the Division's direction, that all the work under this contract, including, but not limited to, all communications, whether written or oral, between them and the Division is confidential and privileged, and that the Contractor will not reveal the contents thereof to any person, except as authorized by the Division or as required by law. These obligations and understandings will survive termination of this contract.

The Division shall have the right to use any of these materials in the furtherance of the regulatory responsibilities of the Division in accordance with applicable provisions of law.

The Contractor shall not release or disclose any draft, working papers, finding, or recommendation made by the Contractor, except as may otherwise be required by law, and except the Contractor's testimony before the Public Service Commission of Utah.

10. **COMPENSATION:** The Division shall compensate the Contractor for all work and services performed by the Contractor or its approved subcontractors under this contract on the following basis:

The Division shall compensate the Contractor for the necessary and reasonable time spent by each of its professional and support staff at the rates set forth in the Proposal.

The Division shall also reimburse the Contractor, at cost, for necessary and reasonable incidental expenses directly related to the project and approved as reasonable, necessary and correct. Travel expenses have the following conditions:

Food expenses are limited to State of Utah per diem which is \$34.00 per day or actual expenses, whichever is less. Lodging, in the State of Utah, will be reimbursed at the State government rate of \$68.00 per day. All air travel will be booked through the Utah State Travel Agency. The Contractor's compensation for professional fees and its reimbursement for incidental and other expenses shall not exceed the total contract amount.

The Contractor is responsible for compensation of its employees including income tax and FICA withholding, workman's compensation, public liability insurance, etc. The Contractor's employees are not entitled to compensation or benefits of any kind from the State of Utah or the utility.

The compensation provided for shall be paid by the Division to the Contractor in accordance with the following terms and conditions:

The Contractor will submit detailed monthly invoices to the Division. Each invoice shall be detailed accounting of the hours worked by each person of each day worked and of other direct and indirect expenses broken down by cost element (e.g. lodging, meals, transportation, photocopying, data and word processing, postage, etc) including dates, time periods, quantities,

and hours as applicable. The Contractor shall provide detailed time sheets and other records/receipts, such as expense vouchers, lodging receipts and invoices for any claimed expense in excess of \$24.99. Within fifteen (15) days of receipt, the Division shall verify and may approve in whole or in part each invoice for payment. Within forty-five (45) days of receipt, the Division shall make payment to the Contractor.

Upon receipt and review of the invoice, the Division will pay 80 percent of the undisputed amount of approved expenses for each invoice. The 20 percent retention will be released upon fulfillment of all contractual obligations. The Division reserves the right to disallow up to 10 percent of the contract from the Contractor if:

- (1) For reason(s) the Division believes to have been within the Contractor's control, the report or testimony is not filed by the date specified; or
- (2) At the date of filing the final report or testimony, a copy, with adequate supporting documentation, has not been submitted to and approved by the Division.

For the purpose of clarifying the Division's Approval of the Contractor's work product (report or testimony), this shall mean compliance of those work products with the terms of this Contract and shall not pertain to the independent conclusions and recommendations reached by the Contractor.

The acceptance by the Contractor of final payment hereunder shall operate as a general release to the Division of all claims arising in connection with this Contract. No payment, final or otherwise, shall operate to release the Contractor from any of its obligations under this Contract.

11. **CONTRACT TERMINATION:** The Division may terminate this Contract in whole or in part, with or without cause, upon ten days' written notice to the Contractor. Upon receipt of said notice, the Contractor shall stop all work specified in the notice and being performed hereunder; shall place no further orders or subcontracts for materials, services, or facilities, except as may be necessary for completion of any continued portion of the work; shall terminate all orders and subcontracts to the extent that they relate to the notice of termination; shall assign to the Division, in the manner and to the extent directed by the Division, all right, title, and interest of the Contractor under the orders and subcontracts so terminated; and shall take such actions as the Division may direct for the protection, preservation, and disposition of property, the title to which the Division has or may acquire under this Contract.

12. **OBLIGATIONS:** The parties hereto shall not be considered in default in the performance of their obligations under this Contract if said performance is prevented or delayed by any cause beyond the reasonable control of the party. Such causes, including, but not limited to, acts of God, acts of governmental authority, floods, strikes, explosions and riots, shall not relieve any party of liability in the event the party fails to use due diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch. In the event a force majeure prevents or delays a party's performance it shall promptly inform the other party of same in writing.

## ATTACHMENT C

### BACKGROUND

PacifiCorp is a multi-jurisdictional utility, subject to regulation in six states, as well as by the FERC. PacifiCorp is headquartered in Portland, Oregon; Salt Lake City serves as the regional main office for the Utah Division and operates as Utah Power & Light (UP&L). The Company serves 1.5 million retail customers in Oregon, Utah, Wyoming, Washington, Idaho and California. With ownership, or interest in, of 7,920 megawatts of low-cost thermal and hydroelectric generation, PacifiCorp is the largest investor-owned utility in the wholesale power market in the West, selling bulk power to more than 60 utilities. Hydroelectric plants provided 6% of PacifiCorp's 2002 energy requirements, thermal plants provided 66%, and long-term contracts, exchange or other purchases accounted for 28%.

PacifiCorp has expressed its intent on filing a general rate case in the Utah jurisdiction in the second quarter of 2003. PacifiCorp uses a power cost model to normalize its power costs. The model normalizes loads, steam and hydro generation, coal and gas usage, power purchases and power sales. Net power costs represent a significant portion of PacifiCorp's total costs. Additional information about PacifiCorp can be found on their web site, [PacifiCorp.com](http://PacifiCorp.com) and on the Division's web site at [publicutilities.utah.gov](http://publicutilities.utah.gov).

The prior production - dispatch model was termed the PDMac model. This model was evaluated for the Division by prior consultants. Their report is termed the Hayet - Faulkenberg Report and is available on the Division's web site. The current model used by PacifiCorp is termed the GRID model.

### Generation and Regulation Initiatives Decision-Tool (GRID) Model Overview

GRID is a production cost dispatch model that dispatches resources to serve load obligation on an hourly basis through the most economic means possible given the constraints of Company's system.

GRID calculates all core functions and produces outputs on an hourly basis (e.g. dispatch and system balancing) to accurately parallel operational realities. Additionally, GRID calculates all core functions and produces outputs on a thermal unit, hydro project and individual long term contract basis, including:

- Committing thermal generating units given forward prices

- Shaping the hydro generation

- Shaping the energy take of long-term firm contracts per contract terms and market prices

- Calculation and satisfaction of reserve requirements

- Balancing the Company's system given transmission and market constraints

- Including optimization purchases and sales given market sizes and prices

Major outputs from GRID include:

- Net power costs

- Load and resource balances

- Interim data on hourly, daily, weekly, monthly, annually and HLH/LLH bases

GRID computational process is divided into 3 modules:

Pre-Dispatch (Algorithms, computations) – an inter hour view

Dispatch (Linear program) – an intra hour view

NPC (Output generation)

Technical Considerations

GRID is a server-based application consisting of both web-based and stand-alone server environments. GRID has the following high-level technical architecture:

Inputs – All inputs stored in Oracle-based data repository. Data is input into GRID by importing data from Excel or from other models.

Computational Modules – Java-based software engine for algorithm and optimization processing

Outputs – All output series exportable in Excel readable format

User Interface – Web browser-based interface